

Message Text

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ACTION EA-09

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E.O. 11652: N/A

TAGS: EINV, MY

SUBJECT: INDUSTRIAL COORDINATION ACT

1. SUMMARY. FEDERATION OF MALAYSIAN MANUFACTURERS (FMM) REPRESENTATIVES RECENTLY MET WITH DEPUTY PRIME MINISTER (DPM) DR. MAHATHIR BIN MOHAMED, TO DISCUSS THEIR CONCERNS RE INDUSTRIAL COORDINATION ACT (ICA). DPM STATED THAT HE UNABLE TO TAKE ACTIVE ROLE ON BEHALF OF CHINESE BUSINESS COMMUNITY AT PRESENT TIME, WHICH NATURALLY DISAPPOINTING TO CHINESE BUSINESSMEN. FMM GROUP PRESENTED LENGTHY MEMORANDUM TO DPM URGING SUBSTANTIAL MODIFICATION OF ICA. MEMO HAS NOW BEEN PRESENTED TO MINISTRY OF TRADE AND INDUSTRY SUBCOMMITTEE WHICH IS CONSIDERING THE RECOMMENDATIONS. NET RESULT IS THAT ANY AMENDMENT OF ICA HAS BEEN POSTPONED UNTIL NEXT SESSION OF PARLIAMENT. CHINESE CHAMBER AND FMM WORKING CLOSELY ON STRATEGY THAT THEY HOPE WILL RESULT IN ICA AMENDMENT. CONTINUED DELAY IN ICA IMPLEMENTATION COULD HAVE NEGATIVE EFFECT ON INVESTMENT, WHICH INCREASING VERY SLOWLY. MAHATHIR'S STATEMENT TO FMM GROUP SEEMS TO CONFIRM EMBASSY VIEW THAT HE INTENDS TO WEATHER CURRENT CONFLICT WITHIN UMNO NO MATTER WHAT THE OUTCOME. UNTIL THIS AND PETROLEUM SITUATION RESOLVED, ICA TAKES LOWER PRIORITY. END SUMMARY.

2. EMBOFF DISCUSSED STATUS OF INDUSTRIAL COORDINATION ACT (ICA)

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WITH YAP WING CHUN, ASSISTANT EXECUTIVE SECRETARY OF FEDERATION

OF MALAYSIAN MANUFACTURERS (FMM). YAP STATED THAT FMM, WHICH SPEARHEADING ANTI-ICA EFFORT, HAD RECENTLY HAD PRIVATE MEETING WITH DEPUTY PRIME MINISTER, DR. MAHATHIR BIN MOHAMED, TO DISCUSS CHINESE BUSINESS COMMUNITY CONCERNS OVER ICA. DR. MAHATHIR LISTENED SYMPATHETICALLY BUT POINTED OUT POLITICAL FACTS OF LIFE (SUCH AS NECESSITY OF RETAINING MALAY NATIONALIST SUPPORT) THAT WILL CONSTRAIN HIM FROM TAKING A LEADING ROLE IN REVISING ACT. DR. MAHATHIR STATED THAT "IT WOULD BENEFIT NO ONE IF I TOOK AN ACTIVE ROLE NOW WHICH WOULD KEEP ME FROM BEING AROUND LATER". MAHATHIR DID PROMISE TO ASSIST INsofar AS HE POLITICALLY ABLE.

3. FMM PRESENTED 40- PAGE MEMORANDUM TO DR. MAHATHIR WITH FOLLOWING BASIC RECOMMENDATIONS:

A) INDEPENDENT ADVISORY COUNCIL BE SET UP TO "ASSIST" MINISTER OF TRADE AND INDUSTRY WITH ICA DECISIONS;

B) AN APPEAL BOARD, HEADED BY A SUPREME COURT JUSTICE, BE SET UP UNDER THE ACT;

C) ONLY SELECTED INDUSTRIES, CHOSEN BY MINISTRY OF TRADE AND INDUSTRY (MTI), SHOULD BE SUBJECT TO INDUSTRIAL COORDINATION, SPARING OTHER MANUFACTURING SECTORS FROM ICA BURDEN;

D) EQUITY RESTRUCTURING SHOULD ONLY BE REQUIRED WITHIN CONTEXT OF GROWTH; EXISTING COMPANIES SHOULD NOT BE REQUIRED TO RELINQUISH ANY EQUITY;

E) COMPOSITION OF A COMPANY'S BOARD OF DIRECTORS SHOULD BE DECIDED BY STOCKHOLDERS, NOT MTI:

F) DEADLINE FOR FILING APPLICATION FOR LICENSE SHOULD BE EXTENDED BEYOND MAY 1, 1977.

4. GOM DELIBERATIONS ON ICA HAVE NOW ESSENTIALLY BEEN RETURNED TO MTI WHICH HAS FORMED A PRIVATE SECTOR CONSULTATIVE COMMITTEE (PSCC) CHAIRED BY JAMIL BIN JAN, CHAIRMAN OF FEDERAL INDUSTRIAL DEVELOPMENT AUTHORITY. MEMBERS ARE CHAIRMEN OF FMM, INTERNATIONAL, CHINESE, AND BUMIPUTRA CHAMPERS OF COMMERCE. LIMITED OFFICIAL USE

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YAP SAID THAT THIS IS DISAPPOINTMENT TO PRIVATE SECTOR WHICH HAD HOPED FOR MORE DIRECT PIPELINE INTO DR. MAHATHIR'S CABINET COMMITTEE ON INVESTMENT. FMM MEMORANDUM HAS NOW BEEN PRESENTED TO PSCC AND MEETINGS WILL BEGIN IN EARLY DECEMBER TO DISCUSS POSSIBLE ICA AMENDMENT. YAP BELIEVES THAT SOME FMM RECOMMENDATIONS WILL BE ACCEPTED BUT ONLY NEGOTIATIONS PROCESS WILL DETERMINE WHICH ONES. MTI INDUSTRY DIVISION CHIEF KAMARUDDIN BIN NORDIN HAS CONFIRMED YAP'S BELIEF

THAT AMENDMENT OF ICA HAS NOW BEEN POSTPONED BEYOND CURRENT PARLIAMENTARY SESSION. MTI NOW CONSIDERING FMM MEMORANDUM AND ESTABLISHING UNIFIED POSITION BEFORE COMMENCING PSCC. KAMARUDDIN NOW AIMING AT APRIL 1977 PARLIAMENTARY SESSION TO SUBMIT ICA AMENDMENTS.

5. IN INTERESTING ASIDE, YAP STATED THAT FMM AND CHINESE CHAMBER OF COMMERCE HAVE COLLUDED IN PURPOSEFULLY ADOPTING A "BAD GUY, GOOD GUY" STRATEGY. CHINESE CHAMBER, FOLLOWING INSTINCTS OF ITS MEMBERSHIP, HAS PUBLICLY CALLED FOR SCRAPING ICA. THIS IS, OF COURSE, POLITICALLY UNACCEPTABLE TO GOM. FMM THEN APPROACHES GOVERNMENT WEARING MODERATE HAT AND ARMED WITH AIR OF REASONABLENESS. HOPE IS THAT GOM, IN ATTEMPT TO HEAD OFF EXTREME CHINESE CHAMBER APPROACH, WILL ACCEPT MOST, IF NOT ALL, OF FMM RECOMMENDATIONS.

6. COMMENT: MAHATHIR'S ALLEGED DECISION NOT TO PLAY AN ACTIVIST ROLE IN THE ICA CONTROVERSY, AT LEAST AT PRESENT, COUPLED WITH THE DECISION TO DIRECT MOST QUESTIONS TO MTI THROUGH THE PSCC DEVICE HAVE DISCOURAGED SOME OF THE ACTIVISTS WITHIN THE CHINESE BUSINESS COMMUNITY. THEY REMAIN HOPEFUL, HOWEVER, THAT THE ICA CAN STILL BE MODIFIED SO AS TO BE MORE PALATABLE. WHETHER FMM PLOY OF OBTAINING EXTENSION OF FILING DEADLINE BEYOND MAY 1, 1977 WILL BE SUCCESSFUL REMAINS TO BE SEEN. FROM GOM'S POINT OF VIEW, CONTINUED DELAY IN RESOLUTION OF ICA PROBLEMS COULD HAVE SIGNIFICANT NEGATIVE IMPACT ON INVESTMENT, WHICH GOM ESTIMATES INCREASED ONLY THREE PERCENT IN REAL TERMS IN 1976. ALTHOUGH THE SITUATION WITHIN UMNO IS VERY CLOUDY AT THE MOMENT, MAHATHIR'S REFERENCE TO "BEING AROUND LATER" SEEMS TO CONFIRM OUR IMPRESSION THAT HE INTENDS TO EMERGE IN A POSITION OF AUTHORITY WHATEVER MAY BE THE RESULT OF THE CURRENT CONFLICT BETWEEN DATUK HUSSEIN AND UMNO'S RIGHT WING. LIMITED OFFICIAL USE

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UNTIL THIS AND PETROLEUM NEGOTIATIONS SORTED OUT, QUESTION OF ICA TAKES LOWER PRIORITY. UNDERHILL

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